Notes to the financial statements
for the year ended 30 June 2014

In the notes that follow, the abbreviations used have these meanings:

APRA – Australian Prudential Regulation Authority

Cuscal – Cuscal Limited

1. Reporting entity

mecu Limited (the 'Company') is a company domiciled and incorporated in Australia. The address of the Company's registered office is 222 High Street Kew, Victoria 3101. The consolidated financial statements of the Company for the financial year ended 30 June 2014 comprises the accounts of the Company and its subsidiaries (together referred to as the 'consolidated entity'). The Company is a forprofit entity and is primarily involved in the raising of funds as authorised by the Prudential Standards administered by APRA and the *Banking Act 1959*, and the application of those funds in providing financial accommodation to customers.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements comply with the International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board.

The Directors have applied the relief available under ASIC Class Order 10/654 "Inclusion of parent entity financial statements in financial reports" effective 29 July 2010 to continue to present full parent entity financial statements as part of the consolidated financial statements.

The consolidated financial statements were authorised for issue by the Directors on 25 September 2014.

(b) Basis of measurement

The financial statements have been presented in Australian dollars and on the amortised cost basis except property and shares, which are stated at fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 13 – provision for impaired loans
- Note 16 – valuation of property
- Note 23 – creditors and other liabilities
- Note 35 – financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Company's financial statements, and have been applied consistently by the consolidated entity.

(a) Basis of consolidation

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the consolidated entity. For every business combination, the consolidated entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

Measuring goodwill

The consolidated entity measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration includes the value of the assets transferred, liabilities incurred and equity interests.

Contingent liabilities

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation, arises from a past event and its fair value can be measured reliably.

Transaction costs

Transaction costs that the consolidated entity incurs in connection with a business combination, such as legal fees, due diligence fees and other professional consulting fees are expensed as incurred.

Acquisitions

The 2014 balances include amounts acquired from Swan Hill Credit Union Limited as at 1 June 2014.

Subsidiaries and Special Purpose Entities

Subsidiaries and special purpose entities are entities controlled by the Company. Control exists when an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at amortised cost in the Company's financial statements.

The consolidated financial statements of the consolidated entity comprise the accounts of **mecu** Limited its subsidiary companies and special purpose entities, Ed Credit Services Pty Ltd, ECS Unit Trust, Ed Credit Insurance Services Pty Ltd and Buloke Funding Trust No. 1.

The principal activity of the Buloke Funding Trust No. 1 is to act as the Special Purpose Entity in relation to an internal securitisation for the purpose of liquidity contingency for the Company. Where the Company has continuing involvement with a securitisation vehicle through ongoing exposure to the risks and rewards associated with the assets (e.g. due to subscription of issued notes), the originated assets remain recognised on the balance sheet of the Company for accounting purposes.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Interest in equity accounted associates

Associates are those entities in which the Company has significant influence over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of the associate until the date on which significant influence ceases.

Prior period error

The company identified, while preparing the financial statements for the year ended 30 June 2014 that the investment in Data Action Pty Ltd should have been accounted for as an associate as at 30 June 2013 under AASB 128 *Investments in Associates and Joint Ventures*. The accounting treatment applied in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively. Consequently the Company has restated all comparative amounts presented in the current period's financial statements affected by the accounting error.

The retrospective application has resulted in the following corrections to the comparative balances for the period ending 30 June 2013:

	Consolidated Entity 2013
Statement of Financial Position	
Investments in Associates	4,813
Other Investments	(1,614)
Statement of profit or loss and other comprehensive income	
Share of profit in an associate	917
Statement of changes in customer owners' funds Retained Earnings	
Total profit for the period	917
Transfer to General Reserves	(917)
General Reserves	
Opening General Reserves	2,282
Transfer from income statement	917
Closing General Reserves	3,199

The correction of the error is applied to all prior period comparative amounts affected by the error, including notes 6, 14 and 31 to the financial statements.

(b) Financial instruments

Non-derivative financial instruments

The consolidated entity initially recognises financial assets on the date at which it becomes a party to the contractual provision of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit and loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The consolidated entity subsequently measures the financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

Financial assets, loans and receivables, are measured at amortised cost using the effective interest method and net of any impairment loss, if: the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest. The consolidated entity's policy on impairment is the same as that applied in its consolidated financial statements as at and for the year ended 30 June 2014 for loans and receivables.

Financial assets measured at fair value

Financials assets other than those measured at amortised cost are measured at fair value with all changes in fair value recognised in profit or loss. The fair value of equity holdings is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

For investments in equity instruments that are not held for trading, the consolidated entity has elected at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss and no impairments are recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

(c) Securitisation

The Company conducts a loan securitisation program whereby mortgage loans are sold as securities to an unrelated entity, thus removing the assets from the Company's balance sheet. The contractual arrangements of the program meet the criteria for transferring assets off balance sheet. The Company bears no risk exposure in respect of these loans. The Company receives fee and commission income from securitised loans which is included in non-interest revenue. The Company no longer uses this program and the owner of the program has given notice to cease new loan securitisations. The pool of existing securitised loans is in run-off.

The Company has established a repurchase obligation trust as a contingent liquidity vehicle should there be insufficient liquidity to meet operational requirements. The Company has transferred loan contractual benefits to the trust. These loans do not satisfy the criteria for transferring assets off balance sheet as the credit risk associated with these loans remains with the Company. As such, the loans remain on the Statement of Financial Position of the Company.

(d) Property, plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property is measured at fair value using an external independent valuation company with appropriate recognised professional qualifications and experience. The fair values are based on market values being the estimated amount for which a property could be exchanged on date of valuation between a willing buyer and willing seller in an arm's length transaction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

With the exception of freehold land and artworks, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and artworks are not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

Category	Depreciation period
Freehold buildings	40 years
Leasehold improvements	the lease term
Plant and equipment	3 to 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost or fair value less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

(f) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the consolidated entity's balance sheet.

(g) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of a fair value financial asset is calculated by reference to its current fair value.

Impairment of loans is not recognised until objective evidence is available that a loss event has occurred. Significant loans are individually assessed for impairment. Impairment testing of loans that are not assessed as impaired individually is performed by placing them into portfolios of loans with similar risk profiles and undertaking a collective assessment of impairment based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and fair value financial assets that are debt securities, the reversal is recognised in the income statement. Any bad debts recovered are recognised in the income statements in the period in which they were recovered.

Notes to the financial statements
for the year ended 30 June 2014

(h) Employee benefits

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

Defined benefit superannuation funds

Multi employer funds where sufficient information is not available to use defined benefit accounting are accounted for as if the fund was a defined contribution fund.

Other long-term employee benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating the terms of the consolidated entity's obligations.

Short-term benefits

Liabilities for employee benefits for wages, salaries, and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

(i) Provisions

A provision is recognised in the statements of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the consolidated entity recognises any impairment loss on any assets associated with the contract.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Revenue is reported net of the amount of goods and services tax (GST). No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or where the costs incurred or to be incurred cannot be measured reliably.

Interest income

Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account monthly. Interest income is recognised in the income statement as it accrues, using the effective yield interest method. Loan establishment costs and income are assessed for materiality and, where appropriate, capitalised applying the effective yield method and recognised as part of the asset.

Fee and commission income

Other fee and commission income is recognised when the related service is provided and the income is contractually due. The gross amount of commission income is recognised. Fee income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Dividends

Dividend income is recognised in the income statement on the date the consolidated entity's right to receive payments is established which in the case of quoted securities is ex-dividend date.

Asset sales

The net proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date a contract of sale becomes unconditional. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(k) Expenses Interest expense

Interest payable on member deposits is calculated on the daily balance outstanding and is credited in arrears periodically. Interest expense is recognised in the statements of profit or loss as it accrues.

Operating lease payments

Payments made under operating leases are recognised in the statements of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statements of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statements of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or included in the item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Changes in Accounting Standards and Interpretations

The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 13 Fair Value Measurement and amendments to AASB 101 Presentation of Financial Statements. In addition, the application of AASB 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements.

The nature and the impact of each new standard and amendment is described below:

Notes to the financial statements
for the year ended 30 June 2014

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 10/IFRS 10	*Consolidated Financial Statements*	The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This Standard: (a) requires an entity (the *parent*) that controls one or more other entities (*subsidiaries*) to present consolidated financial statements; (b) defines the principle of control, and establishes control as the basis for consolidation; (c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (d) sets out the accounting requirements for the preparation of consolidated financial statements. Application of AASB 10 has not impacted on the structure of the group and the consolidated financial statements. Corresponding disclosures have not been materially impacted by the application of AASB 10 as at 30 June 2014.	1 July 2013	1 July 2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB12/IFRS 12	*Disclosure of Interests in Other Entities*	AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in AASB 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. The Group has no unconsolidated structured entities. AASB 12 disclosures are provided in Notes 14.	1 July 2013	1 July 2013
AASB13/IFRS 13	*Fair Value Measurement*	AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. AASB 13 also requires additional disclosures. Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 35.	1 July 2013	1 July 2013

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2014, and have not been applied in preparing these consolidated financial statements. These are referenced in the table below and none of these is expected to have a significant effect on the consolidated financial statements.

Notes to the financial statements
for the year ended 30 June 2014

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9/IFRS 9	*Financial Instruments*	On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expectedloss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.	1 January 2018	1 July 2018

Reference	Title	Summary	Application date of standard*	Application date for Group*
		b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.		

Notes to the financial statements
for the year ended 30 June 2014

4. Financial risk management

(a) Introduction and overview

The consolidated entity has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk
- capital management

This note presents information about the exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Committee which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Audit and Compliance Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. The Audit and Compliance Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through training and management's standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Each operational area of the consolidated entity manages its own risks. This approach creates the first line of defence and encourages a risk culture that involves all staff. A central risk and compliance team, led by the Chief Risk Officer, creates a second line of defence.

The consolidated entity engages independent auditors and assurance advisors to review and monitor the risk management framework as well as our financial, economic, social and environmental performance. This creates the third line of defence.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers, debt and investment securities held to maturity.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The credit risk on financial assets which have been recognised in the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for impairment, and is shown gross before the effect of mitigation through use of collateral. Credit risk for physical securities and investments are monitored by exposure to credit limits to counterparties. These limits are determined by reference to third party ratings.

Management of credit risk

The Board of Directors has implemented the following policies to mitigate and manage credit risk:

- Credit integrity
- Credit card risk management
- Lending
- Large exposures
- Responsible investment and lending
- Collective provision methodology

The aims of the policies are to:

- control and mitigate risk of loss associated with delinquent credit facilities and deteriorating loan assets.
- establish collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements
- establish the authorisation structure for the approval and renewal of credit facilities

Impaired loans and securities

Impaired loans and securities are those for which the consolidated entity determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreements.

Past due but not impaired loans

These are loans and securities where contractual interest or principal payments are past due but the consolidated entity believes that impairment is not appropriate on the basis of security / collateral available and / or the stage of collection of amounts owed.

Allowances for impairment

The consolidated entity establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The components of this allowance are a specific loss component that relates to individually assessed exposures and a collective loss component that relates to unexpected one-off scenarios such as bankruptcies and deceased estates which are unidentified but inherent in the loan portfolio. In addition, a General Reserve for Credit Losses is carried in equity in accordance with APRA prudential requirements.

Write-off policy

The consolidated entity writes off a loan / security balance (and any related allowance for impairment losses) when it is determined that the loan / security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral

The consolidated entity holds collateral against loans and advances to the customers in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is usually not held against investment securities.

Settlement risk

The consolidated entity's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities of other assets as contractually agreed.

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The Board of Directors has implemented the following policies to mitigate and manage liquidity risk:

- Finance and accounting
- Liquidity contingency planning
- Liquidity risk management
- Large exposures policy
- Responsible investment and lending

Exposure to liquidity risk

The key measure used to manage liquidity risk is the ratio of high quality liquid assets to adjusted liabilities. For this purpose liquid assets are considered to include cash and cash equivalents and investment grade debt securities for which there is an active and liquid market. The calculation is used to ensure compliance with the minimum level of liquidity prescribed by APRA.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates or listed equity investments held at fair value, will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

Market risk can be separated between trading and held-to-maturity portfolios. The consolidated entity's intention is to hold all financial instruments to maturity.

The Board of Directors has implemented the following policies to mitigate and manage market risk:

- Finance and accounting
- Market risk management

The consolidated entity is not exposed to foreign exchange risk.

Notes to the financial statements
for the year ended 30 June 2014

Interest rate risk

The principal risk to which portfolios held to maturity are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The Board has established limits on Value at Risk (VaR) and interest rate repricing gaps or stipulated periods. The Risk Committee is the monitoring body for compliance with these limits.

The management of interest rate risk is supplemented by monitoring the sensitivity of the consolidated entity's financial assets and liabilities to various standard and non-standard interest rate scenarios.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the consolidated entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Management of operational risk

The consolidated entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the consolidated entity's reputation with overall cost effectiveness.

The Board of Directors has implemented a risk management policy and risk appetite statement which establishes the overall framework for managing operational risk. Specifically, the Company's Risk Management Policy aims to:

- Contribute to profitable prudential performance by achieving an appropriate balance between realising opportunities while minimising losses.
- Maintain a comprehensive and up to date risk policy statement that addresses all material risks and sets the risk limits acceptable to the Board.
- Manage and mitigate risk which is defined as exposure to the consequences of uncertainty, or potential deviations from that which is planned or expected.
- Facilitate regular reporting to Senior Management, the Board and relevant committees.

(f) Capital management

The Company's regulator APRA sets and monitors capital requirements for the consolidated entity as a whole.
In implementing capital requirements APRA requires the consolidated entity to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital is analysed into two tiers:

- Tier 1 capital includes general reserves, retained earnings, asset revaluation reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes qualifying collective impairment allowance after applying other regulatory adjustments.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures plus an allowance for operational risk as prescribed by APRA.

The consolidated entity has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the consolidated entity's management of capital during the year.

5. Business combinations

The Company acquired control of Swan Hill Credit Union Limited (SHCU) on 1 June 2014 via a total voluntary transfer of business. No consideration was paid in respect of this transaction.

The Company did not incur any costs relating to external legal fees or external due diligence relative to the transactions.

It is not practical to disclose the amount of the transferring entity's profit or loss since the respective acquisition date, since this is indistinguishable in the Company's accounts. Had the SHCU business combination been effected as at 1 July 2013, the revenue of the consolidated entity would have been approximately $89.13 million, and net profit after tax approximately $24.98 million for year ended 30 June 2014.

SHCU's contribution to revenue would have been $1.55 million and contribution to net profit after tax would have been $0.51 million.

The gross amount of trade receivables transferred represents the fair value of $441,995. It is expected that the full contractual amounts will be collected.

There were no contingent liabilities as at acquisition date.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
Identifiable assets acquired and liabilities assumed				
Identifiable assets				
Cash and liquid assets	1,336	–	1,336	–
Receivables	442	–	442	–
Debt securities held to maturity	5,500	–	5,500	–
Investment securities held to maturity	–	–	–	–
Net loans and advances	22,233	–	22,233	–
Other investments	79	–	79	–
Property, plant & equipment	920	–	920	–
Intangible assets	1,245	–	1,245	–
Other assets	30	–	30	–
Deferred tax assets	51	–	51	–
Total identifiable assets acquired	**31,836**	–	**31,836**	**–**
Identifiable liabilities				
Customer deposits	26,196	–	26,196	–
Short term borrowings	–	–	–	–
Current tax payable	(273)	–	(273)	–
Provisions	147	–	147	–
Deferred tax liabilities	463	–	463	–
Other liabilities	1,356	–	1,356	–
Total identifiable liabilities	**27,889**	–	**27,889**	**–**
Total net identifiable assets	**3,947**	–	**3,947**	–

Notes to the financial statements
for the year ended 30 June 2014

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000

6. Profit before income tax expense

(a) Revenue

Interest revenue:				
Deposits with other financial institutions	9,232	11,070	9,232	10,732
Investment securities	13,347	12,287	13,347	12,287
Loans and advances	121,763	130,172	121,763	130,172
	144,342	**153,529**	**144,342**	**153,191**

Interest revenue represents interest earned from financial instruments carried at amortised cost.

(b) Other income:

Fee income	6,940	7,124	6,355	7,061
Commissions	7,204	5,756	7,204	5,756
Bad debts recovered	72	176	72	176
Dividends	3,054	3,462	3,674	3,462
Intercompany management fees	–	–	10	10
Share of profit of an associate	763	917	–	–
Proceeds from sale of property, plant & equipment	1,186	148	1,132	118
Less costs	(1,178)	(165)	(1,118)	(134)
Net gain on sale of property, plant & equipment	8	(17)	14	(16)
Other	174	233	421	483
	18,215	**17,651**	**17,750**	**16,932**

(c) Expenses

Interest expense:				
Borrowings from other financial institutions	1,103	87	1,103	87
Deposits	73,879	84,580	73,879	84,580
	74,982	**84,667**	**74,982**	**84,667**

(d) Bad and doubtful debts

Bad debts written off	320	220	320	220
Doubtful debts expense/(writeback)	73	116	73	116
	393	**336**	**393**	**336**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
(e) Personnel expenses				
Wages and salaries	24,923	24,880	24,923	24,880
Other associated personnel expenses	2,120	2,081	2,120	2,081
Increase/(decrease) in liability for annual leave	(57)	(91)	(57)	(91)
Increase/(decrease) in liability for long service leave	(255)	14	(255)	14
	26,731	**26,884**	**26,731**	**26,884**
(f) Other expenses				
Customer product and service delivery costs	6,066	6,095	6,066	6,095
General administration costs	3,143	2,890	4,127	2,806
APRA levies	168	130	168	130
Depreciation expense				
– plant and equipment	1,748	1,607	1,257	1,185
– buildings	279	277	199	196
Amortisation expense				
– leasehold improvements	244	285	244	285
– intangible assets	50	–	50	–
Information technology and associated costs	4,910	4,720	4,910	4,720
Occupancy and associated costs	4,611	3,321	4,905	3,622
Marketing and development	3,594	3,339	3,594	3,339
Other	858	919	827	917
	25,671	**23,583**	**26,347**	**23,295**

Notes to the financial statements
for the year ended 30 June 2014

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000

7. Income tax expense
Recognised in the income statement

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Income tax expense				
Provision for income tax – current year	9,691	9,953	9,390	9,995
Over provision in prior years	(21)	(11)	(21)	(11)
Origination and reversal of temporary differences	(361)	(252)	(361)	(250)
Origination attributable to comprehensive income	(15)	(294)	(15)	(294)
Income tax expense attributable to profit	**9,294**	**9,396**	**8,993**	**9,440**
Reconciliation of prima facie tax payable to the income tax expense in the accounts:				
Profit before tax	34,780	35,710	33,639	34,941
Income tax using the domestic corporate tax rate 30% (2013: 30%)	10,434	10,713	10,092	10,482
Increase/(decrease) in income tax expense due to:				
Other	(21)	(275)	–	–
Non–deductible expenses	4	8	4	8
Under/(over) provision in prior years	(21)	(11)	(21)	(11)
Rebatable dividend	(1,102)	(1,039)	(1,102)	(1,039)
Income tax expense	**9,294**	**9,396**	**8,973**	**9,440**
Income tax recognised in other comprehensive income				
Revaluation of property, plant and equipment	(204)	40	(204)	40
Net change in fair value of financial assets	564	975	564	975
Net change in intangible assets	358	–	358	–
Capital gain on sale of financial assets	–	94	–	94
Capital gain on sale of property	–	200	–	200
Income tax expense attributable to other comprehensive income	**718**	**1,309**	**718**	**1,309**
Franking credits	**98,285**	**88,198**	**98,285**	**88,198**

Franking credits held by the Company after adjusting for franking credits that will arise from the payment of income tax at the end of the financial year.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000

8. Cash and liquid assets

Cash on hand	4,457	4,405	4,457	4,405
Cash at bank	21,404	31,416	22,024	28,665
Deposits at call – current	24,584	18,292	24,584	12,070
Total cash and liquid assets	**50,445**	**54,113**	**51,065**	**45,140**

Cash and liquid assets are generally available within 1 to 2 days.

9. Receivables

Accrued income – current	3,393	3,010	3,621	(27)
Sundry debtors – current	19,171	14,529	18,055	17,633
Total receivables	**22,564**	**17,539**	**21,676**	**17,606**

10. Debt securities at amortised cost

Term deposits – Mutual ADIs	45,300	44,070	45,300	44,070
Term deposits – Listed ADIs	47,800	123,350	47,800	123,350
Total receivables due from other financial institutions	**93,100**	**167,420**	**93,100**	**167,420**
Maturity analysis				
Not longer than 3 months	82,100	130,520	82,100	130,520
Longer than 3 months and less than 12 months	11,000	36,900	11,000	36,900
Longer than 1 year and less than 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
	93,100	**167,420**	**93,100**	**167,420**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000

11. Investment securities at amortised cost

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Negotiable certificates of deposit	446,347	374,673	446,347	374,673
Asset backed securities	37,450	10,000	37,450	10,000
Floating rate notes	95,257	56,223	95,257	56,223
Total investment securities	**579,054**	**440,896**	**579,054**	**440,896**
Maturity analysis				
Not longer than 3 months	391,866	364,761	391,866	364,761
Longer than 3 months and less than 12 months	76,493	9,912	76,493	9,912
Longer than 1 year and less than 5 years	64,577	52,223	64,577	52,223
Longer than 5 years	46,118	14,000	46,118	14,000
	579,054	**440,896**	**579,054**	**440,896**

12. Net loans and advances

(a) Amounts due comprise:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Overdrafts and revolving credit	59,606	60,647	59,606	60,647
Term loans	2,362,453	2,242,469	2,362,453	2,242,469
Directors and related parties	4,868	5,248	4,868	5,248
Total loans and advances	**2,426,927**	**2,308,364**	**2,426,927**	**2,308,364**
Less provision for impairment	(887)	(766)	(887)	(766)
	2,426,040	**2,307,598**	**2,426,040**	**2,307,598**

(b) Maturity analysis

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Overdrafts	59,738	60,931	59,738	60,931
Not longer than 3 months	105,902	79,054	105,902	79,054
Longer than 3 months and less than 12 months	210,914	177,755	210,914	177,755
Longer than 1 year and less than 5 years	639,396	616,835	639,396	616,835
Longer than 5 years	1,410,090	1,373,023	1,410,090	1,373,023
	2,426,040	**2,307,598**	**2,426,040**	**2,307,598**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000

(c) Concentration of loans

At 30 June 2014, the loans portfolio includes 1 loan which represents 10% or more of capital (2014: $50,183,858 2013: $50,169,942)
Details of classes of loans which represent, in aggregate, 10% or more of capital are as follows:

Geographic areas				
– Victoria (excluding Gippsland and Western regions)	939,053	903,923	939,053	903,923
– Queensland	367,825	354,754	367,825	354,754
– Victoria (Western Region)	341,225	308,997	341,225	308,997
– Victoria (Gippsland region)	297,218	291,103	297,218	291,103
– New South Wales	242,193	234,005	242,193	234,005
– Australian Capital Territory	178,386	164,244	178,386	164,244
	2,365,900	**2,257,026**	**2,365,900**	**2,257,026**
– Other/or where there is no identifiable concentration	61,027	51,338	61,027	51,338
	2,426,927	**2,308,364**	**2,426,927**	**2,308,364**

(d) Employee industry groups

– Government schools and tertiary institutions	295,861	290,775	295,861	290,775
– CSIRO	57,227	55,517	57,227	55,517
– Electricity generation and supply	98,784	87,649	98,784	87,649
– Air transport	32,846	38,920	32,846	38,920
	484,718	**472,861**	**484,718**	**472,861**
– Other/or where there is no identifiable concentration	1,942,209	1,835,503	1,942,209	1,835,503
	2,426,927	**2,308,364**	**2,426,927**	**2,308,364**

Notes to the financial statements
for the year ended 30 June 2014

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
13. Provision for impaired loans				
(a) Provision movement				
Balance at beginning of year	766	516	766	516
Transfer (to)/from the income statement	73	116	73	116
Transfer to provision on acquisitions	48	134	48	134
	887	**766**	**887**	**766**
(b) Non accrual loans				
Gross amount of loans individually determined to be impaired, before deducting the specific individually assessed impairment allowance	1,427	518	1,427	518
Security held on non accrual loans	**986**	**93**	**986**	**93**
Specific provision for impairment	447	376	447	376
Collective provision for impairment	440	390	440	390
Total provision for impairment	**887**	**766**	**887**	**766**
(c) Restructured loans				
Balance of restructured loans	24,870	17,604	24,870	17,604
Security held on restructured loans	24,095	17,511	24,095	17,511
(d) Past due loans without impairment	**1,167**	**125**	**1,167**	**125**
(e) Ageing Analysis of past due loans without impairment				
90 days to 181 days	363	65	363	65
182 days to 272 days	804	59	804	59
273 day to 364 days	–	–	–	–
365+ days	–	–	–	–
	1,167	**124**	**1,167**	**124**
(f) Other disclosures for impaired loans				
– Assets acquired via enforcement of security	450	909	450	909
– Interest and other revenue earned on impaired loans	19	22	19	22
– Interest and other revenue forgone on impaired loans	47	28	47	28

(g) Key assumptions in determining the provision for impairment:

The Company has determined the likely impairment loss on loans which have not maintained loan repayments in accordance with the loan contract, or where there is objective evidence of potential impairment such as industrial restructuring, job losses, or economic circumstances. In identifying the impairment likely from these events the Company is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000

14. Investment in an Associate

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Investment in Data Action Pty. Ltd.	5,107	4,813	1,615	1,614
Total investments in associates	**5,107**	**4,813**	**1,615**	**1,614**

The Company has a 24.7% interest in, and representation on the Board of Data Action Pty. Ltd., a company incorporated and domiciled in Australia. Data Action is a provider of computer facilities management and associated support services. As the Company has determined it has significant influence over Data Action, the interests in the associate are accounted for using the equity method. The table below illustrates the summarised financial information of the investment in Data Action Pty. Ltd.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000
Current assets	18,458	16,185
Non-current assets	7,055	7,418
Current liabilities	(4,292)	(3,642)
Non-current liabilities	(792)	(711)
Equity	**20,429**	**19,250**
Proportion of the Company's ownership	24.7%	24.7%
Carrying amount of the investment	**5,107**	**4,813**
Total revenue	33,881	32,861
Total expenses	(29,663)	(28,036)
Profit before tax	**4,218**	**4,825**
Tax	(1,165)	(1,157)
Profit after tax	**3,053**	**3,668**
Share of profit for the year	**763**	**917**

15. Other investments at fair value

Shares at fair value	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Shares in MyState Financial Limited	20,136	18,400	20,136	18,400
Shares in Cuscal Limited	10,730	9,733	10,730	9,733
Units in ECS Unit Trust	–	–	3,618	3,618
Other shares	100	100	9,563	7,694
Total other investments	**30,966**	**28,233**	**44,047**	**39,445**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
16. Property, plant and equipment				
(a) Land	**6,080**	**6,848**	**2,820**	**3,588**
(b) Buildings	8,770	8,073	6,755	6,058
Less accumulated depreciation	(555)	(420)	(474)	(419)
Carrying amount	**8,215**	**7,653**	**6,281**	**5,639**

Freehold land and buildings owned by the Company are carried at fair value in accordance with independent valuations carried out by Certified Practising or Registered Valuers.

The revalued land and buildings include office properties in Moe and Castlemaine, Victoria revalued in June 2014. Management determined that these constitute one class of asset under AASB 13, based on the nature, characteristics and risks of the property. Fair value of the properties was determined by using a direct market comparable method as well as a capitalisation approach. This means that valuations performed by the valuers are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

Significant unobservable valuation input

The unobservable valuation inputs are
– Rent per square metre
– Capitalisation rate

Sensitivity to significant changes in unobservable inputs within Level 3 of the hierarchy

A significant increase in the capitalisation rate or the rent per square metre rate would result in lower fair value of land and buildings at fair value, while significant decrease in the capitalisation rate or rent per square metre rate would result in a higher fair value.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
(c) Leasehold improvements – at cost	2,875	2,867	2,875	2,867
Less accumulated depreciation	(2,571)	(2,332)	(2,571)	(2,332)
Carrying amount	**304**	**535**	**304**	**535**
(d) Plant and equipment – at cost	14,598	13,755	12,264	11,718
Less accumulated depreciation	(9,476)	(8,420)	(8,606)	(7,548)
Carrying amount	**5,122**	**5,335**	**3,658**	**4,170**
(e) Artworks – at cost	112	112	112	112
Carrying amount	**112**	**112**	**112**	**112**
Total carrying amount – property, plant and equipment	**19,833**	**20,483**	**13,175**	**14,044**

Property, plant & equipment not available for sale is classified non-current.

(f) Movement in property, plant and equipment balances during the year

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
Land				
Carrying amount at beginning of year	6,848	7,274	3,588	4,014
Additions through acquisitions	205	–	205	–
Additions	–	174	–	174
Impairment of private conservation properties	(1,023)	–	(1,023)	–
Transfer to assets available for sale	–	(600)	–	(600)
Revaluation increment	50	–	50	
Carrying amount at end of year	**6,080**	**6,848**	**2,820**	**3,588**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000

During the year the Board reviewed the methodology used to record the value of the private conservation properties in the accounts noting that there were no direct economic benefits derived from holding these properties. It was determined that these properties be recorded at a nominal value of $1 each.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Buildings				
Carrying amount at beginning of year	7,653	7,244	5,639	5,300
Additions through acquisitions	541	–	541	–
Additions	87	710	87	710
Depreciation charge	(279)	(277)	(199)	(196)
Transfer to assets available for sale	–	(450)	–	(450)
Revaluation increment	213	426	213	275
Carrying amount at end of year	**8,215**	**7,653**	**6,281**	**5,639**
Leasehold improvements				
Carrying amount at beginning of year	535	726	535	726
Additions	13	94	13	94
Depreciation charge	(244)	(285)	(244)	(285)
Carrying amount at end of year	**304**	**535**	**304**	**535**
Plant and equipment				
Carrying amount at beginning of year	5,335	3,326	4,170	2,533
Additions through acquisitions	174	18	174	19
Additions	1,516	3,763	666	2,937
Disposals	(155)	(165)	(95)	(134)
Depreciation charge	(1,748)	(1,607)	(1,257)	(1,185)
Carrying amount at end of year	**5,122**	**5,335**	**3,658**	**4,170**
Artworks				
Carrying amount at beginning of year	112	112	112	112
	112	112	112	112
Total carrying amount at end of year	**19,833**	**20,483**	**13,175**	**14,044**

(g) Revaluation of Land & Buildings

The Company uses the revaluation model for the measurement of land and buildings. If land and buildings were measured using the cost model, the carrying costs would be as follows:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Cost	9,688	9,139	5,826	5,277
Accumulated depreciation/impairment charge	(2,429)	(2,206)	(1,159)	(1,047)
Net carrying amount	**7,259**	**6,933**	**4,667**	**4,230**

Notes to the financial statements
for the year ended 30 June 2014

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
17. Intangible assets				
Carrying amount at beginning of year	–	–	–	–
Additions through acquisitions	1,245	–	1,245	–
Amortisation charge	(50)	–	(50)	–
Total carrying amount at end of year	**1,195**	**–**	**1,195**	**–**

The intangible assets arose from the acquisition of SHCU on 1 June 2014 and relates to the purchase of the customer deposit book. These will be amortised over ten years.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
18. Other assets				
Prepayments – current	1,036	1,106	1,034	1,104
Total other assets	**1,036**	**1,106**	**1,034**	**1,104**
19. Assets available for sale				
Property, plant & equipment	–	1,050	–	1,050
Total assets available for sale	**–**	**1,050**	**–**	**1,050**
20. Deferred tax assets and liabilities				
Assets				
Provision for impaired loans	266	230	266	230
Plant and equipment	100	274	100	274
Trade creditors and accruals	325	19	325	19
Employee entitlements	1,396	1,446	1,396	1,446
Sundry provisions	255	352	255	352
Provision for impaired investment	307	–	307	–
	2,649	**2,321**	**2,649**	**2,321**
Liabilities				
Land and buildings	58	185	58	186
Other investments	1,854	932	1,854	929
Deferred tax liability	**1,912**	**1,117**	**1,912**	**1,115**
Net deferred tax assets	**737**	**1,204**	**737**	**1,206**

Movement in temporary differences during the year
Assets/(Liabilities)

	Provision for impaired loans $'000	Plant and equipment $'000	Trade creditors and accruals $'000	Employee entitlements $'000	Sundry provisions $'000	Other Investments $'000	Land and buildings $'000
Consolidated Entity							
Opening balance 1 July 2012	155	256	17	1,454	142	876	(314)
Recognised in income	75	18	2	(8)	210	–	–
Recognised in equity	–	–	–	–	–	(1,808)	129
Balance 30 June 2013	**230**	**274**	**19**	**1,446**	**352**	**(932)**	**(185)**
Opening balance 1 July 2013	230	274	19	1,446	352	(932)	(185)
Recognised in income	36	(174)	306	(50)	(97)	307	–
Recognised in equity	–	–	–	–	–	(922)	127
Balance 30 June 2014	**266**	**100**	**325**	**1,396**	**255**	**(1,547)**	**(58)**
The Company							
Opening balance 1 July 2012	155	256	17	1,454	142	876	(314)
Recognised in income	75	18	2	(8)	210	–	–
Recognised in equity	–	–	–	–	–	(1,808)	129
Balance 30 June 2013	**230**	**274**	**19**	**1,446**	**352**	**(932)**	**(185)**
Opening balance 1 July 2013	230	274	19	1,446	352	(932)	(185)
Recognised in income	36	(174)	306	(50)	(97)	307	–
Recognised in equity	–	–	–	–	–	(922)	127
Balance 30 June 2014	**266**	**100**	**325**	**1,396**	**255**	**(1,547)**	**(58)**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000

21. Deposits

(a) Balance of deposits comprises:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
Withdrawable shares	595	589	595	589
Call deposits	1,439,337	1,253,254	1,439,337	1,253,254
Deposits from related entities	–	–	1,273	1,504
Term deposits	1,303,408	1,354,232	1,303,408	1,354,232
Total deposits and borrowings	**2,743,340**	**2,608,075**	**2,744,613**	**2,609,579**

(b) Maturity analysis

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
Withdrawable shares at call	595	589	595	589
At call	1,439,337	1,253,254	1,440,610	1,254,758
Not longer than 3 months	706,646	738,817	706,646	738,817
Longer than 3 months and less than 12 months	458,995	452,647	458,995	452,647
Longer than 1 year and less than 5 years	137,767	162,768	137,767	162,768
	2,743,340	**2,608,075**	**2,744,613**	**2,609,579**

(c) Concentrations of deposits

At 30 June 2014, there were no customers who individually or collectively had deposits which represented 10% or more of total liabilities. (Nil: 2013)

Details of classes of deposits which represent, in aggregate, 10% or more of liabilities are as follows:

Geographic areas

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
– Victoria (excluding Gippsland and Western regions)	1,401,729	1,310,901	1,403,002	1,312,405
– Victoria (Gippsland region)	421,552	403,302	421,552	403,302
– Victoria (Western region)	348,744	329,012	348,744	329,012
	2,172,025	**2,043,215**	**2,173,298**	**2,044,719**
– Other/or where there is no identifiable concentration	571,315	564,860	571,315	564,860
	2,743,340	**2,608,075**	**2,744,613**	**2,609,579**

(d) Employee industry groups

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
– Government schools and tertiary institutions	289,748	311,229	289,749	311,229
– Other/or where there is no identifiable concentration	2,453,592	2,296,846	2,454,864	2,298,350
	2,743,340	**2,608,075**	**2,744,613**	**2,609,579**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000

22. Short term borrowings

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Negotiated certificates of deposit – current	48,647	24,802	48,647	24,802
Total payables to other financial institutions	**48,647**	**24,802**	**48,647**	**24,802**

23. Creditors and other liabilities

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Tax payable				
Provision for income tax – current	3,409	2,764	3,108	2,811
Provisions				
Provision for employee entitlements – current	3,227	3,444	3,227	3,444
Provision for employee entitlements – non-current	1,427	1,375	1,427	1,375
Sundry provisions – current	76	168	76	168
Sundry provisions – non-current	775	654	775	654
	5,505	**5,641**	**5,505**	**5,641**
Other liabilities				
Trade creditors and accruals – current	19,529	18,481	19,008	18,479
Deferred Income – current	653	654	653	654
Deferred Income – non-current	579	1,234	579	1,234
Sundry creditors – current	31,240	36,883	41,757	35,173
	52,001	**57,252**	**61,997**	**55,540**
Total creditors and other liabilities	**60,915**	**65,657**	**70,610**	**63,992**

Trade and sundry creditors and accruals are on contractual terms and are generally payable within 1 to 3 months

(a) Movement in provisions during the year

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Provision for employee entitlements				
Opening balance	4,819	4,843	4,819	4,843
Additional provisions made during the period	4,377	2,050	4,377	2,050
Amounts used during the period	(4,542)	(2,074)	(4,542)	(2,074)
Closing balance	**4,654**	**4,819**	**4,654**	**4,819**

The provision for employee benefits relates to annual and long service leave entitlements.
Annual leave entitlements are expected to be taken within the next 12 months while long service leave entitlements will be progressively drawn down over the next 1 to 10 years.

Details of the estimates and judgements made to determine the required provision for employee entitlements are contained in Note 3 (h).

24. Capital and reserves

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property.

Fair value reserve

The fair value reserve relates to the fair valuation of equity investments not held for trading under AASB9 Financial Instruments.

General reserve for credit losses

In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve is an appropriation of retained earnings to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults.

Redeemed capital reserve

Redeemed capital reserve represents the amount of redeemable preference shares redeemed since 1 July 1999. The Corporations Act requires redemption of shares to be made out of profits. Since the value of the shares redeemed has been paid to customers in accordance with the Constitution of the Company, the redeemed capital reserve account represents the amount of profits appropriated to the account.

Dividends

There were no dividends declared or paid during the financial year.

25. Key management personnel disclosures

Key management personnel comprises seven non executive Directors, one executive director and four executive managers.

(a) Transactions with key management personnel

The key management personnel compensation included in 'personnel expenses' (see note 6(e)) are as follows:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
Short-term employee benefits	2,334	2,392	2,334	2,392
Other long-term benefits	70	24	70	24
Post-employment benefits	172	762	172	762
Termination benefits	60	–	60	–
	2,636	**3,178**	**2,636**	**3,178**

(b) Loans to key management personnel

Aggregate value of loans and credit facilities to key management personnel and spouses, or relatives of key management personnel and spouses at balance date amounted to:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
Key management personnel	4,602	4,972	4,602	4,972
Related parties	267	275	267	275
Less provision for impairment	–	–	–	–
	4,869	**5,247**	**4,869**	**5,247**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
Loans made during the financial year by the Company to key management personnel and spouses, or relatives of key management personnel and spouses:	1,533	1,720	1,533	1,720
	1,533	**1,720**	**1,533**	**1,720**

All loans disbursed were approved on the same terms and conditions which applied to customers generally for each class of loan. During the year new loans were made to the following key management personnel and related parties:

R J Allen
J W Baistow
M J Bastian
H M Clarke
R B Dowland
P J Ford
C H Newey
P J Taylor
D G Walsh
J P Yardley

Repayments against loans and interest charged to key management personnel and spouses, or relatives of key spouses amounted to:

Repayments	1,971	1,777	1,971	1,777
Interest charged	221	279	221	279

During the year repayments were made on all loans to key management personnel and related parties in accordance with terms and conditions. The following key management personnel and related parties made repayments on loans during the year:

R J Allen
J W Baistow
M J Bastian
H M Clarke
R D Dixon
R B Dowland
P J Ford
C H Newey
P J Taylor
D G Walsh
J P Yardley

All transactions between key management personnel and spouses, or relatives of key management personnel and spouses and the Company were conducted in accordance with normal terms and conditions. The terms and conditions in respect of all loans to key management personnel and spouses, or relatives of Directors and spouses have not been breached.

(c) Other key management personnel transactions with the Company

There are no other transactions or contracts to which key management personnel or related entities are a related party.

	Consolidated Entity 2014 $	Consolidated Entity 2013 Restated $	The Company 2014 $	The Company 2013 $
26. Auditor's remuneration				
Auditors of the Company are Ernst & Young (2013: KPMG)				
Audit services				
– Audit and review of financial reports	115,000	125,100	115,000	125,100
– Other regulatory audit services	25,000	32,500	25,000	32,500
	140,000	**157,600**	**140,000**	**157,600**
Other services				
– Taxation services	13,000	11,000	13,000	11,000
– Assurance services	10,000	11,000	10,000	11,000
	23,000	**22,000**	**23,000**	**22,000**

27. Commitments for expenditure

(a) Lease commitments

Operating lease commitments under existing lease arrangements for building accommodation and automatic teller machines are payable over the following periods:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Within 1 year	1,822	1,563	1,822	1,563
1 to 2 years	1,169	1,319	1,169	1,319
2 to 5 years	1,552	1,265	1,552	1,265
Total lease commitments	**4,543**	**4,147**	**4,543**	**4,147**

(b) Material service contract commitments

The Company has a contract with Data Action Pty. Ltd. to provide computer facilities management services and associated support services. The balance of fees payable under the contract are payable over the following periods:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Within 1 year	2,398	2,173	2,398	2,173
1 to 2 years	608	2,236	608	2,236
2 to 5 years	–	566	–	566
Total material service contract commitments	**3,006**	**4,975**	**3,006**	**4,975**

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000

28. Contingent liabilities and forward commitments

(a) Outstanding loan commitments

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Loans approved but not funded	90,588	53,702	90,588	53,702
Undrawn credit commitments	146,907	146,859	146,907	146,859
Loans available for redraw	289,883	260,372	289,883	260,372
Total commitments	**527,378**	**460,933**	**527,378**	**460,933**

Generally, there are no restrictions to withdrawal of funds under undrawn credit commitments, and loans approved but not funded. Such commitments are, however, cancellable at the discretion of the Company.

(b) Liquidity support scheme

The Company is party to CUFSS Limited. CUFSS Limited is a voluntary scheme that mutual ADIs participate in. CUFSS Limited is a company limited by guarantee, each participant's guarantee being $100.

As a party to the CUFSS scheme, the Company:

(i) May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another ADI requiring financial support;

(ii) May be required to advance permanent loans of up to 0.2% of total assets per financial year to another ADI requiring financial support;

(iii) Agrees, in conjunction with other participants, to fund the operating costs of CUFSS Limited.

29. Standby arrangements

The Company has arranged the following standby credit facilities:

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
Cuscal overdraft facility	7,500	7,500	7,500	7,500
Amount drawn	–	–	–	–
Total facilities available	**7,500**	**7,500**	**7,500**	**7,500**

There are no restrictions as to the withdrawal of these funds. Borrowings are secured by an equitable mortgage charge over the assets of the Company.

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	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	**The Company 2014 $'000**	The Company 2013 $'000
30. Employee benefits				
Salaries and wages accrued	797	661	797	661
Liability for long service leave	2,989	3,145	2,989	3,145
Liability for annual leave	1,665	1,674	1,665	1,674
Total employee benefits	**5,451**	**5,480**	**5,451**	**5,480**

(a) Superannuation

The Company sponsors superannuation funds for its employees under normal conditions of employment, and in satisfaction of the requirements of the Superannuation Guarantee Scheme. During the year, the Company contributed to various superannuation funds with the main fund being NGS Super.

(b) Contributions paid and payable to superannuation plans

Employer contributions to the plans	2,314	2,254	2,314	2,254

(c) Employees

On a consolidated basis the total number of full-time equivalent employees as at 30 June 2014 was 315 (2013: 304). The total number of full-time equivalent employees at the Company as at 30 June 2014 was 315 (2013: 304).

31. Reconciliation of cash flows from operating activities

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash means cash on hand and cash equivalents. Cash equivalents are highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and borrowings which are integral to the cash management function and which are not subject to a term facility. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statements of financial position as follows:

Cash on hand	4,457	4,405	4,457	4,405
Cash at bank – Cuscal	21,404	31,416	22,024	28,665
Deposits at call – Cuscal	24,584	18,292	24,584	12,070
	50,445	**54,113**	**51,065**	**45,140**

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

(i) deposits, shares and withdrawals from savings and investment accounts;

(ii) loans and repayments; and

(iii) investment activities.

	Consolidated Entity 2014 $'000	Consolidated Entity 2013 Restated $'000	The Company 2014 $'000	The Company 2013 $'000
(c) Cash flows from operating activities				
Profit for the year	25,486	26,314	24,646	25,501
Adjustments for:				
Depreciation	2,027	1,884	1,456	1,381
Amortisation	294	285	294	285
(Profit)/loss on disposal of non current assets	(8)	17	(14)	16
Bad debts written off	320	220	320	220
Charge for loan impairment	73	116	73	116
Share of profit of an associate	(763)	(917)	–	–
Operating profit before changes in provisions	**27,429**	**27,919**	**26,775**	**27,519**
Increase/(decrease) in employee entitlements	(312)	(24)	(312)	(24)
Increase/(decrease) in sundry provision	29	566	28	566
(Increase)/decrease in accrued income	(357)	894	(3,606)	887
(Increase)/decrease in prepayments	(656)	(102)	(654)	(116)
Increase/(decrease) in trade creditors and accruals	100	(5,455)	99	(5,452)
Increase/(decrease) in deferred income	114	(654)	(407)	(654)
(Increase)/decrease in sundry debtors	(1,911)	(8,759)	(5)	(11,863)
(Increase)/decrease in deferred tax assets	467	1,381	469	1,380
Increase/(decrease) in provision for income tax	645	932	297	978
Net cash provided by operating activities	**25,548**	**16,698**	**22,684**	**13,221**

32. Controlled entities

Details of controlled entities consolidated into the group financial statements are as follows:

Name	Country of Incorporation	% Owned	Investment at cost $	Contribution to operating profit after tax $
Ed Credit Services Pty. Ltd.	Australia	100	–	–
ECS Unit Trust	Australia	100	3,618	–
Ed Credit Insurance Services Pty. Ltd.	Australia	100	–	–
Buloke Funding Trust No. 1	Australia	100	–	–

33. Segmental reporting

The Company operates predominantly in the retail financial services industry within Australia. The operations comprise the acceptance of deposits and the making of loans.

34. Securitisation

a) The Company has an arrangement with Integris Securitisation Services Pty Ltd whereby it acts as an agent to promote and complete loans on their behalf, for on-sale to an investment trust. The Company also manages the loans portfolio on behalf of the trust. The Company is only liable for loan repayment defaults to the extent of interest forgone by the trust, and for which the Company has mortgage insurance cover to recoup all such payments.

The Company no longer uses this program and the owner of the program has given notice to cease new loan securitisations. The pool of existing securitised loans is in run-off.

The balance of securitised loans as at 30 June 2014 was $24,985,444 (2013: $26,814,343).

b) The Company has a repurchase obligation trust for securing the ability to obtain liquid funds from the Reserve Bank of Australia. The trust enables the Company to access liquid funds if normal operational liquidity requirements cannot be satisfied. To support the liquidity arrangment loan contractual benefits have been transferred to the trust and the Company has purchased secured notes from the trust which may then be sold to the Reserve Bank. The notes are secured by residential mortgage backed securities.

The loan contractual benefits transferred to the trust have not been derecognised in the Company's financial statements as the Company retains the benefits of the trust until the liquidity facility is drawn upon. The credit risk associated with the transferred loans remains with the Company.

The value of loans which do not qualify for derecognition as at 30 June 2014 was $321,888,319 (2013: $279,472,100)

35. Financial instruments

(a) Net fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the consolidated entity has access at that date.

The consolidated enitity measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted prices (unadjusted) in active markets for identical instruments

Level 2: valuaton techniques for which all significant inputs are based on observable market data

Level 3: valuaton techniques for which all significant inputs are not based on observable market data

When applicable, the fair value of an instrument is calculated using the quoted price in an active market for that instrument. A market is regarded as active if all transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments fair values are determined using other techniques.

The following table summarises the fair value of financial assets and liabilities measured at amortised cost on the face of the consolidated entity's Statement of Financial Position and the disaggregation by the fair value hierarchy, and separately those of the Company.

35. Financial instruments (continued)

	Carrying Value $'000	Fair Value Level 1 $'000	Fair Value Level 2 $'000	Fair Value Level 3 $'000	Fair Value Total $'000
Consolidated Entity 2014					
Financial assets					
Debt securities	93,100	–	94,027	–	94,027
Investment securities	579,054	–	582,183	–	582,183
Loans and advances (net of provisions)	2,426,040	–	–	2,429,389	2,429,389
Other investments	30,966	20,136	–	10,830	30,966
Financial liabilities					
Deposits	2,743,340	–	–	2,743,262	2,743,262
Short Term Borrowings	48,647	–	48,793	–	48,793
Consolidated Entity 2013 Restated					
Financial assets					
Debt securities	167,420	–	169,066	–	169,066
Investment securities	440,896	–	447,820	–	447,820
Loans and advances (net of provisions)	2,307,598	–	–	2,309,348	2,309,348
Other investments	28,233	18,400	–	9,833	28,233
Financial liabilities					
Deposits	2,608,075	–	–	2,609,127	2,609,127
Short Term Borrowings	24,802	–	24,897	–	24,897
The Company 2014					
Financial assets					
Debt securities	93,100	–	94,027	–	94,027
Investment securities	579,054	–	582,183	–	582,183
Loans and advances (net of provisions)	2,426,040	–	–	2,429,389	2,429,389
Other investments	44,047	20,136	–	23,911	44,047
Financial liabilities					
Deposits	2,744,613	–	–	2,744,535	2,744,535
Short Term Borrowings	48,647	–	48,793	–	48,793
The Company 2013					
Financial assets					
Debt securities	167,420	–	169,066	–	169,066
Investment securities	440,896	–	447,820	–	447,820
Loans and advances (net of provisions)	2,307,598	–	–	2,309,348	2,309,348
Other investments	39,445	18,400	–	21,045	39,445
Financial liabilities					
Deposits	2,609,579	–	–	2,610,630	2,610,630
Short Term Borrowings	24,802	–	24,897	–	24,897

35. Financial instruments (continued)

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are based on equivalent market rates at the reporting date.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Refer to note 12 for concentration of credit risk.

The net fair value estimates were determined by the following methodologies and assumptions:

Cash and liquid assets

The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

Debt securities

Net fair value is a reasonable estimate of the fair value determined by reference to the current market value of the instrument. The difference between carrying value and fair value has been determined by a discounted cash flow model where the future cash flows of the financial asset have been discounted back to the balance date using the observable market interest rates offered at balance date for instruments with similar risk and maturity.

Investment securities

Net fair value is a reasonable estimate of the fair value determined by reference to the current market value of the instrument. The difference between carrying value and fair value has been determined by a discounted cash flow model where the future cash flows of the financial asset have been discounted back to the balance date using the observable market interest rates offered at balance date for instruments with similar risk and maturity.

Loans and advances

The carrying value of loans and advances is net of the provision for impairment. Interest rates on loans equate to comparable products in the marketplace. Discounted cash flows based on the loan type and its related maturity are used to calculate the net fair value of fixed rate loans. The difference between estimated fair values of loans and advances and carrying value reflects changes in interest rates since loan or advance origination and credit worthiness of the borrower.

Other Investments

Net fair value of other investments is based on quoted prices in active markets for identical assets. If no quoted price is available and there is no observable market data to ascertain fair value, the most recent transaction price is used to determine the fair value of the investment. For investments disclosed as level 3 financial assets, the unobservable input has been determined to be the share price. A reasonably possible range of alternate share prices would be a 10% increase or decrease in the share price. If the transaction price was to be increased by 10% this would result in an increase in the fair value by $1.08 million. If the transaction price was to be decreased by 10% this would result in a decrease in fair value by $1.08 million.

Deposits

The net fair value of non interest bearing, call and variable rate deposits, and fixed rate deposits maturing within three months approximates it carrying value. Discounted cash flows (based upon the deposit type and its related maturity) are used to calculate the net fair value of other deposits.

Short term borrowings

The carrying values of short term borrowings maturing within three months approximate their net fair value as they are short term in nature.

(b) Effective interest rates and repricing analysis

In respect of income-earning assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date, the periods in which they reprice and contractual cash flows.

35. Financial instruments (continued)

Financial instruments	0 – 3 months $'000s	3 – 12 months $'000s	1 – 2 years $'000s	2 – 5 years $'000s	More than 5 years $'000s	Total carrying amount as per balance sheet $'000s	Weighted average effective interest rate
Consolidated Entity 2014							
(i) Financial assets							
Deposits at call	45,988	–	–	–	–	45,988	1.86%
Debt securities	82,100	11,000	–	–	–	93,100	3.31%
Investment securities	519,568	59,486	–	–	–	579,054	3.30%
Loans and advances	2,136,364	80,402	125,835	78,761	4,678	2,426,040	5.43%
Total financial assets	**2,784,020**	**150,888**	**125,835**	**78,761**	**4,678**	**3,144,182**	
(ii) Financial liabilities							
Deposits	2,146,578	458,995	123,519	14,248	–	2,743,340	2.72%
Short term borrowings	48,547	–	–	–	–	48,547	3.19%
Total financial liabilities	**2,195,125**	**458,995**	**123,519**	**14,248**	**–**	**2,791,887**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	2,156,428	469,658	130,948	15,730	–	2,772,764	2.72%
Short term borrowings	48,647	–	–	–	–	48,647	3.19%
Consolidated Entity 2013							
(i) Financial assets							
Deposits at call	49,708	–	–	–	–	49,708	1.00%
Debt securities	130,520	36,900	–	–	–	167,420	4.04%
Investment securities	430,984	9,912	–	–	–	440,896	3.54%
Loans and advances	2,147,848	32,113	44,142	79,626	3,869	2,307,598	5.50%
Total financial assets	**2,759,060**	**78,925**	**44,142**	**79,626**	**3,869**	**2,965,622**	
(ii) Financial liabilities							
Deposits	1,992,660	452,647	125,339	37,429		2,608,075	3.10%
Short term borrowings	24,802	–	–	–	–	24,802	3.46%
Total financial liabilities	**2,017,462**	**452,647**	**125,339**	**37,429**	**–**	**2,632,877**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	2,003,226	463,720	135,188	41,754	–	2,643,888	3.10%
Short term borrowings	24,802	–	–	–	–	24,802	3.46%

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35. Financial instruments (continued)

Financial instruments	0 – 3 months $'000s	3 – 12 months $'000s	1 – 2 years $'000s	2 – 5 years $'000s	More than 5 years $'000s	Total carrying amount as per balance sheet $'000s	Weighted average effective interest rate
The Company 2014							
(i) Financial assets							
Deposits at call	46,608	–	–	–	–	46,608	1.86%
Debt securities	82,100	11,000	–	–	–	93,100	3.31%
Investment securities	519,568	59,486	–	–	–	579,054	3.30%
Loans and advances	2,136,364	80,402	125,835	78,761	4,678	2,426,040	5.43%
Total financial assets	**2,784,640**	**150,888**	**125,835**	**78,761**	**4,678**	**3,144,802**	
(i) Financial liabilities							
Deposits	2,147,851	458,995	123,519	14,248	–	2,744,613	2.72%
Short term borrowings	48,647	–	–	–	–	48,647	3.19%
Total financial liabilities	**2,196,498**	**458,995**	**123,519**	**14,248**	**–**	**2,793,260**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	2,157,707	469,658	130,948	15,730	–	2,774,043	2.72%
Short term borrowings	48,647	–	–	–	–	48,647	3.19%
The Company 2013							
(i) Financial assets							
Deposits at call	40,735	–	–	–	–	40,735	1.00%
Debt securities	130,520	36,900	–	–	–	167,420	4.04%
Investment securities	430,984	9,912	–	–	–	440,896	3.54%
Loans and advances	2,147,848	32,113	44,142	79,626	3,869	2,307,598	5.50%
Total financial assets	**2,750,087**	**78,925**	**44,142**	**79,626**	**3,869**	**2,956,649**	
(ii) Financial liabilities							
Deposits	1,994,164	452,647	125,339	37,429		2,609,579	3.01%
Short term borrowings	24,802	–	–	–	–	24,802	3.46%
TTotal financial liabilities	**2,018,966**	**452,647**	**125,339**	**37,429**	**–**	**2,634,381**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	2,004,736	463,720	135,188	41,754	–	2,645,398	3.01%
Short term borrowings	24,802	–	–	–	–	24,802	3.46%

35. Financial instruments (continued)

(c) Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in inte rates at the reporting date would not affect profit or loss.

Sensitivity to interest rate risk

The Consolidated Entity also measures on a monthly basis the stress sensitivity of earnings to interest rate movements, utilising an Earnings at Risk (EaR) sensitivity calculation. The calculation involves the measuring of the static interest rate repricing gaps arising as a result of the varying interest rate repricing characteristics of assets, liabilities and capital, and the impact, over a 12 month period, of a 1% and 2% interest rate increase and 1% and 2% interest rate decrease on earnings arising from the static gap position. The information below shows the Company's and Consolidated Entity's stress sensitivity to interest rates utilising EaR sensitivity (+/-1% change):

The major classes of financial assets and liabilities that are subject to interest rate variation are loans to customers cash with banks, investments and deposits from customers. The interest rates on the major proportion of these assets and liabilities can be adjusted in the short-term to minimise any significant impact of mis-match on interest margins.

Interest rate movement

Consolidated Entity and Company

	+1%	+1%	**-1%**	-1%
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Post Tax Earnings at risk	3,162	4,027	(5,324)	(5,903)

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets, excluding investments, of the Company which have been recognised on the balance sheet is the carrying amount, net of any provision for impairment.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties. The Company is not materially exposed to any individual counterparty.

36. Events after the balance sheet date

There were no events after balance day that will significantly affect the operation or the state of affairs of the Company or the consolidated entity.